

Message Text

PAGE 01 EC BRU 03347 182152 Z

64

ACTION EUR-25

INFO OCT-01 IO-13 ADP-00 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 STR-08

TRSE-00 LAB-06 SIL-01 OMB-01 L-03 AF-10 AGR-20 RSR-01

/137 W

----- 121186

R 181735 Z JUN 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 5369

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION GENEVA

USMISSION OECD PARIS UNN

LIMITED OFFICIAL USE EC BRUSSELS 3347

E. OM 11652: NA

TAGS: EEC, ETRD, XA

SUBJ: EC NEGOTIATIONS WITH THE AFRICAN ASSOCIATED AND COMMON-
WELTH ASSOCIABLE COUNTRIES: SPECIAL COMMODITY
ARRANGEMENTS

REFS: A. EC BRUSSELS 1818 B. EC BRUSSELS A-167

C. EC BRUSSELS 1993 D. EC BRUSSELS 2914

1. SUMMARY. THE MISSION IS FORWARDING TO THE DEPARTMENT A
COPY OF AN EC COMMISSION REPORT (FRENCH TEXT) WHICH DESCRIBES
IN DETAIL THE COMMISSION' S PROPOSAL FOR SPECIAL COMMODITY ARRANGE-
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 02 EC BRU 03347 182152 Z

MENTS WITH THE ASSOCIATED AND ASSOCIABLE COUNTRIES AIMED AT
STABILIZING EXPORT RECEIPTS FOR CERTAIN BASIC PRODUCTS. THE NEW
REPORT FOLLOWS CLOSELY THE DESCRIPTION OF THE SCHEME OUTLINED
IN PREVIOUS MISSION REPORTING (REFTELS). SUGAR, ONE OF THE

POTENTIAL PRODUCTS TO BE COVERED BY THE SCHEME, IS EXCLUDED FROM THE PRESENT STUDY. THE COMMISSION WILL REPORT SEPARATELY ON THIS ITEM AT A LATER DATE. THE COMMISSION HAS ESTIMATED THAT HAD SUCH A SCHEME BEEN IN EFFECT BETWEEN 1966 AND 1970 THE COST TO THE COMMUNITY WOULD HAVE BEEN 267 MILLION UNITS OF ACCOUNT. THE EC COUNCIL IS EXPECTED TO TAKE UP THE LATEST COMMISSION REPORT AT THE JUNE 25-26 COUNCIL MEETING DURING THE DISCUSSION OF THE FORTHCOMING NEGOTIATIONS WITH THE ASSOCIATED AND ASSOCIABLE STATES. END SUMMARY.

2. AT THE TIME THAT THE EC COMMISSION PREPARED ITS INITIAL MEMORANDUM ON THE FORTHCOMING NEGOTIATIONS (REFAIR B) WITH AFRICAN ASSOCIATED AND THE COMMONWEALTH ASSOCIABLE COUNTRIES IT COMMITTED ITSELF TO PROVIDE MORE DETAILED INFORMATION REGARDING THE COMMISSION' S SCHEME FOR STABILIZING THE EXPORT RECEIPTS FROM CERTAIN BASIC PRODUCTS OF PARTICULAR INTEREST TO ELIGIBLE COUNTRIES. THE COMMISSION HAS NOW COMPLETED ITS SUPPLEMENTAL STUDY AND HAS FORWARDED IT TO THE MEMBER STATES.

3. THE PRESENT STUDY REITERATES THE FORM OF MECHANISM OUTLINED IN THE ORIGINAL COMMISSION MEMORANDUM. SIMPLY STATED, THE COMMUNITY WOULD TRANSFER RESOURCES IN THE FORM OF CREDITS TO AN ELIGIBLE LDC IF DURING A GIVEN PERIOD EXPORT RECEIPTS FOR A GIVEN PRODUCT DROPPED BELOW A PREFIXED REFERENCE LEVEL. LDCS WOULD REPAY THESE CREDITS IN SUBSEQUENT PERIODS WHEN THEIR EXPORT RECEIPTS EXCEEDED THE REFERENCE LEVEL. THE COMMISSION JUSTIFIES THE NEED FOR AN EXPORT RECEIPTS STABILIZATION MECHANISM ON GROUND OF THE UNFAVORABLE IMPACT EXPORT RECEIPT INSTABILITY HAS ON THE ECONOMIES OF THE ASSOCIATED AND COMMONWEALTH ASSOCIABLE COUNTRIES, E. G., ADVERSE EFFECT ON INVESTMENT PLANNING, THE INTERNAL EQUILIBRIUM OF FINANCE, AND THE BALANCE OF PAYMENTS. COMMISSION STUDIES HAVE SHOWN THAT PRICE STABILIZATION ALONE IS INSUFFICIENT TO STABILIZE RECEIPTS. IN FACT, THE COMMISSION ANALYSIS INDICATES THAT STABILITY IN THE LEVEL OF EXPORTS IS RELATIVELY MORE IMPORTANT THAN PRICE STABILITY SO FAR AS THE STABILIZATION OF RECEIPTS IS CONCERNED, PARTICULARLY OF RHTC LDC COUNTRIES WHICH WOULD BE INVOLVED IN THE COMMISSION SCHEME. THE COMMISSION
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 03 EC BRU 03347 182152 Z

HAS SELECTED EIGHT PRODUCTS FOR POSSIBLE INCLUSION IN ITS SCHEME BASED ON THE RELATIVE IMPORTANCE OF THE PRODUCTS IN THE EXPORT TRADE OF THE ASSOCIATED AND ASSOCIABLE COUNTRIES AS WELL AS THE DEGREE OF PRICE AND QUANTITY INSTABILITY IN THE MARKETS FOR THE PRODUCTS INVOLVED.

4. THE PAPER PROVIDES SOMEWHAT GREATER DETAIL ON CERTAIN ASPECTS OF THE SYSTEM. IT DESCRIBES THE NEED TO CAREFULLY CIRCUMSCRIBE THE SYSTEM IN ORDER TO AVOID ABUSES AND IT STRESSES THE CONTRACTUAL NATURE OF THE ARRANGEMENT. IT NOTES PARTICULARLY THE NEED FOR PARTICIPATING LDC COUNTRIES TO UNDERTAKE CERTAIN COMMITMENTS WITH REGARD TO THE SYSTEM. THESE WOULD

INCLUDE ASSURANCES: THAT IN CASE OF A REDUCTION IN THEIR EXPORTABLE PRODUCTION OF A PARTICULAR COMMODITY, THEIR SALES TO THE COMMUNITY WOULD NOT BE REDUCED IN HIGHER PROPORTION THAN THAT OF THEIR TOTAL EXPORTS; THAT FUNDS TRANSFERRED FROM THE EC WILL BE KEPT DISTINCT FROM OTHER PUBLIC REVENUES OF PARTICIPATING COUNTRIES; THAT FUNDS TRANSFERRED WILL BE USED ONLY FOR PURPOSES MUTUALLY AGREED TO BY THE COMMUNITY AND THE PARTICIPATING STATE; AND THAT PARTICIPATING STATES WILL BE PREPARED TO REIMBURSE FUNDS TO THE EC WHEN THE OPERATION OF THE SYSTEM REQUIRED SUCH REIMBURSEMENT.

5. WHILE ADMITTING THAT IT IS DIFFICULT TO PREDICT WITH ANY PRECISION THE COST TO THE COMMUNITY OF SUCH A SYSTEM IN THE 1975-1979 PERIOD THE COMMISSION HAS ATTEMPTED TO CALCULATE THE COST

TO THE COMMUNITY THAT SUCH A MECHANISM MIGHT HAVE GENERATED HAD IT BEEN IN EFFECT IN THE FIVE- YEAR PERIODS 1964-68 AND 1966-79. THE ESTIMATES USED ARE BASED ON TRADE AND PRICES FOR SEVEN OF THE EIGHT PRODUCTS BEING CONSIDERED FOR THE SCHEME: GROUND NUTS, GROUND NUT OIL, BANANAS, COCOA, COFFEE, COTTON AND COPPER. (SUGAR, THE ONLY OTHER PRODUCT BEING CONSIDERED, WILL BE HANDLED SEPARATELY IN AN ADDITIONAL AND COMPLEMENTARY STUDY NOW UNDER PREPARATION IN THE COMMISSION.)

6. FOR THE SEVEN PRODUCTS DESCRIBED ABOVE, A SCHEME, SIMILAR TO THAT NOW CONTEMPLATED, HAD IT BEEN IN OPERATION IN THE 1964-68 PERIOD WOULD HAVE RESULTED IN A TRANSFER OF 341.5 MILLION UNITS OF ACCOUNT (U. A.), BY THE EC. OF THIS AMOUNT, ONLY 1.5 MILLION U. A. WOULD POTENTIALLY HAVE BEEN REIMBURSED
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 04 EC BRU 03347 182152 Z

BY THE PARTICIPATING COUNTRIES. SIMILAR ESTIMATES FOR THE 1966-70 PERIOD WOULD HAVE RESULTED IN A TRANSFER BY THE EC OF 296.8 MILLION U. A. AND THE REIMBURSEMENT OF 30.1 MILLION U. A.

7. THE COMMISSION'S DOCUMENT HAS NOW BEEN DISTRIBUTED TO THE MEMBER STATES FOR STUDY. UNTIL NOW, THERE HAS BEEN LITTLE DEBATE ON THE COMMISSION'S PROPOSED COMMODITY SCHEME BECAUSE OF MEMBER STATE RELUCTANCE TO DISCUSS IT ON THE BASIS OF THE COMMISSION'S ORIGINAL MEMORANDUM ALONE. SOME INDICATION OF MEMBER STATE INITIAL REACTION TO THE SCHEME IS EXPECTED TO EMERGE FROM THE JUNE 25-26 COUNCIL MEETING DURING WHICH THESE SPECIAL COMMODITY ARRANGEMENTS ARE LIKELY TO BE DISCUSSED. SOME DIFFERENCES OF OPINION WITH REGARD TO REGIONAL COMMODITY ARRANGEMENTS ALREADY HAVE EMERGED AMONG THE MEMBER STATES DURING THE PREPARATION OF THE COUNCIL REPORT ON A WORLDWIDE COMMUNITY DEVELOPMENT POLICY (REFTEL D). EVEN SO, MOST OF OUR MEMBER STATE SOURCES IN BRUSSELS BELIEVE THE COMMISSION PROPOSAL IS WORTHY OF SERIOUS STUDY, ALTHOUGH SOME SEE IT AS A RATHER COSTLY ENTERPRISE WITH SMALL CHANCE OF REIMBURSEMENT BY PARTICIPATING COUNTRIES. AFTER INITIAL COUNCIL DISCUSSION,

FURHTER WORK ON THE SCHEME WILL BE TURNED OVER TO THE PER-
MANENT REPRESENTATIVES PRIOR TO FORMAL COUNCIL ATION ON THE
PROPOSAL.
GREENWALD

LIMITED OFFICIAL USE

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 10 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 18 JUN 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973ECBRU03347
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: n/a
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730635/abqceeuk.tel
Line Count: 169
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. EC BRUSSELS 1818 B. EC BRUSSELS A-167 C. EC BRUSSELS 1993 D. EC BRUSSELS 2914
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 09 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09-Aug-2001 by kellerpr>; APPROVED <13-Sep-2001 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 980209; srp 980209
Subject: EC NEGOTIATIONS WITH THE AFRICAN ASSOCIATED AND COMMON- WELTH ASSOCIABLE COUNTRIES: SPECIAL
COMMODITY ARRANGEMENTS
TAGS: ETRD, XA, EEC
To: STATE INFO BONN
BRUSSELS UNN
COPENHAGEN
DUBLIN
LONDON
LUXEMBOURG

PARIS
ROME
THE HAGUE
GENEVA
OECD PARIS UNN

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005